

Trading Votes for Votes. A Dynamic Theory¹

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Abstract

We develop a framework to study the dynamics of vote trading over multiple binary issues. We prove that there always exists a stable allocation of votes that is reachable in a finite number of trades, for any number of voters and issues, any separable preference profile, and any restrictions on the coalitions that may form. If at every step all blocking trades are chosen with positive probability, convergence to a stable allocation occurs in finite time with probability one. If coalitions are unrestricted, the outcome of vote trading must be Pareto optimal, but unless there are three voters or two issues, it need not correspond to the Condorcet winner. If trading is farsighted, a non-empty set of stable vote allocations reachable from a starting vote allocation need not exist, and if it does exist it need not include the Condorcet winner, even in the case of two issues.

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1 Introduction

Exchanging one's support of a proposal for someone else's support of a different proposal is common practice in group decision-making. Whether in small informal committees or in legislatures, common sense, anecdotes, and systematic evidence all suggest that vote trading is a routine component of collective decisions.¹ Vote trading is ubiquitous, and yet its theoretical properties are not well understood. Efforts at a theory were numerous and enthusiastic in the 1960's and 70's but fizzled and have almost entirely disappeared in the last 40 years. John Ferejohn's words in 1974, towards the end of this wave of research, remain true today: "[W]e really know very little theoretically about vote trading. We cannot be sure about when it will occur, or how often, or what sort of bargains will be made. We don't know if it has any desirable normative or efficiency properties." (Ferejohn, 1974, p. 25)

One reason for the lack of progress is that the problem is difficult: each vote trade occurs without the equilibrating properties of a continuous price mechanism, causes externalities to allies and opponents of the trading parties, and can trigger new profitable exchanges. As a subset of voters trade votes on a set of proposals, the default outcomes of these proposals change in response to the reallocation of votes, generating incentives for a new round of vote trades, which will again change outcomes and open new trading possibilities. A second reason for the early difficulties is that a consistent well-defined framework was missing. Most authors left unspecified some crucial details of their models, used an array of different assumptions and terminology, at times implicit, and never fully closed the loop between the definition of stability and the specification of the trading rule. The first contribution of this paper is the development of a general theoretical framework for analyzing vote trading as a sequential dynamic process.

The voting environment is comprised of an odd number of voters facing several binary proposals, each of which will either pass or fail. Every committee member can be in favor or opposed to any proposal. Preferences are represented by intensities over winning any individual proposal and are additively separable across proposals, inducing for each voter an ordering over all possible outcomes – i.e., all combinations of different proposals passing or failing.

An initial allocation of votes specifies how many votes each voter controls on each proposal. After vote trades are concluded, each proposal is decided by majority rule: if, after trading, the number of votes controlled by voters favoring a proposal exceed the number of votes controlled by voters opposing a proposal, then the proposal passes; otherwise it fails.

Votes are tradable, in the sense of a barter market. A vote trade is a reallocation of votes held by a subset, or coalition, of voters. Hence the dynamic process operates on the set of feasible vote allocations, and the current state of the dynamic system corresponds to the current allocation of votes. We specify a family of simple algorithms, called Pivot algorithms, according to which trading evolves over time. Dynamic sequences of vote trades are executed by sequences of blocking

¹ An empirical literature in political science documents vote trading in legislatures. For example, Stratmann (1992) provides evidence of vote trading in agricultural bills in the US Congress.

coalitions—subsets of voters who, given the allocation of votes, can reallocate votes among themselves and reach a new outcome each of them strictly prefers to the pre-trade outcome. Both the coalition and the trade are fully unconstrained: the coalition can be of any size, and each member can trade as many votes as she wishes on as many proposals as desired; trades need not be one-to-one. The only requirement is that all members of a blocking coalition must strictly gain from the trade. If the initial vote allocation is not blocked by any coalition, it is stable, and there is no trade. However if the allocation is blocked, it may be blocked by many different coalitions and many different trades. An element of our family of algorithms is any rule selecting blocking coalitions and trades at each blocked allocation. The trade produces a new allocation of votes, and the algorithm again selects a blocking coalition and a trade. The algorithm continues until a vote allocation is reached from which there are no improving trades for any coalition. Such vote allocation is called Pivot stable.

The approach delivers four main results, addressing some of the open questions left from the older literature. Our first key result is a general existence theorem. The set of Pivot stable vote allocations is non-empty. For any initial vote allocation, any number of voters or proposals, any profile of preference rankings, any restrictions on feasible blocking coalitions, there always exists a finite sequence of trades that ends at a stable allocation. The existence result does not rule out the possibility that some selection rules may generate cycles. However, if every blocking trade is selected with positive probability, then trade must converge to a Pivot stable vote allocation in finite time with probability one. Furthermore, if trades are restricted to be pairwise and non-redundant—i.e., if votes that do not affect outcomes are not traded – then trading converges to a stable allocation along *all* possible sequences of blocking trades. Earlier conjectures (Riker and Brams, 1973; Ferejohn, 1974) speculated that vote trading could reach a stable allocation only under very strict conditions on the number and types of trades, and in particular ruling out coalitional trades. Our results show otherwise: a stable allocation is always reachable.

Every vote allocation produces an outcome, that is, a specific combination of proposals passing or failing. Our second result concerns the optimality of Pivot stable allocations, and serves as a welfare theorem to complement the existence theorem. Pivot stable vote allocations always generate Pareto optimal outcomes if no restrictions are placed on the set of blocking coalitions. Together with our existence result, we can then conclude that vote trading can always deliver a stable Pareto optimal outcome.

The early literature was inspired in large part by a claim, stated explicitly in Buchanan and Tullock (1962), that vote trading must lead to Pareto superior outcomes because it allows the expression of voters’ intensity of preferences.² The conjecture was rejected by Riker and Brams’ (1973) influential “paradox of vote trading” which showed that when trade is restricted to be pairwise, Pareto-inferior outcomes are possible. The belief that constraining trade to be pairwise was necessary to achieve stability made the conclusion particularly important. Our result is consistent with the Riker and Brams’ paradox because restrictions on the allowable set of blocking coalitions

²The claim originated in an early debate between Gordon Tullock and Anthony Downs (Tullock, 1959 and 1961, Downs, 1957, 1961). See also Coleman (1966), Haefele (1971), Tullock (1970), and Wilson (1969).

can lead to suboptimal allocations. But the general existence of Pareto optimal outcomes reached via trade when coalitions are unconstrained leaves room for a more optimistic perspective.

A criterion more demanding than Pareto optimality is the correspondence between outcomes generated by Pivot stable vote allocations and the Condorcet winner—the outcome that a majority of voters prefer to any other—if it exists. We analyze such a correspondence, called Condorcet consistency in the social choice literature³, in our third set of results. In general, Pivot trading is not Condorcet consistent: even when the Condorcet winner exists, trading may lead to a stable outcome that differs from the Condorcet winner. Special cases exist—e.g., if there are only three voters, or two proposals—such that vote trading is guaranteed to deliver the Condorcet winner, but the result does not hold more broadly. The connection between outcomes generated by Pivot stable allocations and the Condorcet winner thus is tenuous: we know that the former always exist while the latter typically does not, and even when the latter exists, vote trading need not deliver it.

The link between vote trading and the Condorcet winner was a central unresolved question in the early literature. Buchanan and Tullock (1962) and Coleman (1966) conjectured that vote trading offers the solution to majority cycles in the absence of a Condorcet winner, a belief we find still expressed in popular writings on voting.⁴ Starting with Park (1967), a number of authors studied and rejected the conjecture⁵, but the different scenarios and the incompletely specified trading rules make comparisons difficult. Our existence result can be read as partially supporting Buchanan and Tullock’s, and Coleman’s conjecture. But the connection is weak because the logic in the older arguments seems quite different and, contrary to the implicit claims of all authors cited above, existence of a Condorcet winner in general does not imply that it must be reached by vote trading.

Implicitly, these authors relied on not-fully enforceable trades and on some measure of forward-looking behavior: the argument was that trades leading to outcomes deemed inferior by the majority of voters would not be executed because the majority would then reverse them. In the second part of the paper, we maintain the assumption of enforceable trades, but add farsightedness to our model and allow voters to take into account the future path of trades. The myopic algorithms described earlier become farsighted chains: blocking coalitions compare the vote allocation at the moment of their trade not to the allocation resulting from their trade (as under myopia) but to the allocation reached at the end of the chain (if such an end exists), forecasting the full path of trade. The notion of stability is then correspondingly farsighted: an allocation is farsightedly-stable (F-stable) if there is no farsighted chain leading away from it. While we use a different definition of farsighted stability, our analysis echoes recent approaches in cooperative game theory that explore the implications of forward looking sophistication (Chwe (1994), Dutta and Vohra (2015), Ray and

³See Moulin (1988).

⁴“If logrolling is the norm, then the problem of the cyclical majority vanishes.” (Buchanan and Tullock, 1965 ed., p.336.). “When logrolling is allowed, the highest valued outcome is secure without the threat of a cyclical majority.” (<https://en.wikipedia.org/wiki/Logrolling>, accessed June 201, 2018)

⁵See also Bernholz (1973), Ferejohn (1974), Koehler (1975), Schwartz (1975), Kadane (1972), Miller (1977).

Vohra (2015)).⁶

Our fourth set of results thus concerns the existence and properties of F-stable vote allocations and outcomes reached via farsighted chains from a given initial vote allocation. We find that farsightedness does not lead to better properties for vote trading. While F-stable vote allocations always exist, reaching one via vote trading may be impossible: farsightedness undoes the general existence result obtained under myopia. It remains true that if an F-stable vote allocation is reached and coalitions are unconstrained, the corresponding outcome must be Pareto optimal, but the comparison to the Condorcet winner becomes still more problematic. Farsightedness, vote trading, and the Condorcet winner are incompatible: achieving the Condorcet winner is possible only if no vote trading occurs. It is easy to construct examples where starting from a vote allocation that delivers the Condorcet winner, farsighted trade leads to a different outcome, even in environments in which the Condorcet winner is always reached under myopic trading.

As our description makes clear, the object of our study is the trade of votes for votes within a committee, in the absence of side-payments. Thus the model and the approach are quite different from the rich literature analyzing the trade of votes in exchange for a numeraire, whether vote buying by candidates or lobbyists (Myerson (1993), Groseclose and Snyder (1996), Dal Bo (2007), Dekel et al. (2008, 2009)), or vote markets (Philipson and Snyder (1996), Casella et al. (2012), Xeferis and Ziros (2017)), or auction-like mechanisms (Lalley and Weyl (2016), Goeree and Zhang (2017)).

The lack of side-payments evokes instead the work on alternative voting rules that allow outcomes to reflect intensity of preferences. The literature includes the storable votes mechanism of Casella (2005), qualitative voting (Hortala-Vallve (2012)), and the linking mechanisms proposed in Jackson and Sonnenschein (2007). There are however two major differences. First, in these schemes voters can shift their own votes from one proposal to another, within the limits of a budget constraint, but are not allowed to trade votes with other voters. Second, such mechanisms are formulated as solutions to Bayesian collective decision problems, where preference intensity is represented by von Neumann-Morgenstern utility functions. The approach and solution concepts are grounded in non-cooperative game theory and agents maximize expected utility. Neither feature applies to our analysis, where votes can be traded across voters but not across proposals, and preferences representations that maintain ordinal rankings are fully interchangeable.

In terms of solution concepts, this paper is connected to work on dynamics and stability in environments that do not allow side payments. We have in mind the problem of achieving stability in sequential rounds of matching among different agents (Gale and Shapley, 1962; Roth and Sotomayor, 1990; Roth and Vande Vate, 1990), in creating or deleting links in the formation of networks (Jackson and Wolinsky, 1996; Watts, 2001; Jackson and Watts, 2002), or in sequences of

⁶The cooperative game theory literature has proposed alternative definitions of farsighted stability, with a focus on solution concepts that extend the von Neumann - Morgenstern solution to allow for farsighted domination (in addition to the authors cited above, see for example Diamantoudi and Xue (2003) and Mauleon et al. (2011)). We explore the relationship between our solution and alternative approaches in Appendix B.

barter trades in an exchange economy without money (Feldman, 1973, 1974; Green, 1974). While the substantive issues addressed in those paper are different from vote trading, the modeling of dynamics and stability is similar in spirit to ours. In all of these cases, as in the approach we take in this paper, the problem is studied by combining a definition of stability and a rule specifying the dynamic process leading to stable outcomes.

In what follows, we begin by describing the general framework (Section 2). In Section 3, we discuss the existence of stable vote allocations reachable via trading, and their properties—the Pareto optimality of stable vote allocations and the relationship between stable outcomes and the Condorcet winner. We then extend the model to allow for farsightedness (Section 4) and study the existence and properties of farsightedly stable vote allocations. Section 5 summarizes our conclusions and discusses possible directions of future research.

2 The model

Consider a committee $\mathcal{C} = \{1, \dots, N\}$ of N (odd) voters who must approve or reject each of K independent binary proposals. The set of proposals is denoted $P = \{1, \dots, k, \dots, K\}$. Committee members have separable preferences represented by a profile of values, z , where $z_i^k \in \mathbb{R}$ is the value attached by member i to the approval of proposal k , or the utility i experiences if k passes. Value z_i^k is positive if i is in favor of k and negative if i is opposed. The value of any proposal failing is normalized to 0. We call $x_i \equiv |z_i|$ voter i 's *intensity* on proposal k . We specify the profile of cardinal values z because working with such a profile will prove convenient and intuitive, but our analysis relies only on individual ordinal rankings over the 2^K possible outcomes (all possible combinations of passing and failing for each proposal). Proposals are voted upon one-by-one, and each proposal k is decided through simple majority voting.

Before voting takes place, committee members can trade votes. One can think of votes in our model as if they were physical ballots, each one tagged by proposal. A vote trade is an exchange of ballots, with no enforcement or credibility problem. After trading, a voter may own zero votes over some proposals and several votes over others, but cannot hold negative votes on any issue. We call v_i^k the votes held by voter i over proposal k , $v_i = (v_i^1, \dots, v_i^K)$ the profile of votes held by i over all proposals, and $v = (v_1, \dots, v_i, \dots, v_N)$ a *vote allocation*, i.e., a profile of vote holdings for all voters and proposals. The initial vote allocation is denoted by $v_0 = (v_{01}, \dots, v_{0N})$. We impose no restriction on v_0 , beyond $v_{0i}^k \geq 0$ for all i, k and, to avoid ties, $\sum_i v_{0i}^k$ odd for all k . Let \mathcal{V} denote the set of feasible vote allocations: $v \in \mathcal{V} \iff \sum_i v_i^k = \sum_i v_{0i}^k$ for all k and $v_i^k \geq 0$ for all i, k .⁷

Definition 1 A *trade* is an ordered pair of vote allocations (v, v') , such that $v, v' \in \mathcal{V}$ and $v \neq v'$.

That is, the trade (v, v') is a reallocation of votes from v to v' . Voter i 's *net trade* from (v, v') is denoted $\delta_i(v, v')$, where $\delta_i^k(v, v') = v_i'^k - v_i^k$.

⁷Note that $\sum_k v_i^k \neq \sum_k v_{0i}^k$ is feasible because we do not restrict trades to be one-to-one.

Given a feasible vote allocation v , when voting takes place on proposal k each voter has a dominant strategy to cast all her votes in favor of the proposal if her proposal's value is positive ($z_i^k > 0$), and against the proposal if her proposal's value is negative ($z_i^k < 0$). We indicate by $\mathbf{P}(v) \subseteq P$ the set of proposals that receive at least $(\sum_i v_{0i}^k + 1)/2$ favorable votes, and therefore pass. We call $\mathbf{P}(v)$ the *outcome* of the vote if voting occurs at allocation v . Finally, we define $u_i(v)$ as the utility of voter i if voting occurs at v : $u_i(v) = \sum_{k \in \mathbf{P}(v)} z_i^k$. Preferences over outcomes are assumed to be strict. That is, $u_i(v) = u_i(v')$ if and only if $\mathbf{P}(v) = \mathbf{P}(v')$.⁸

Our focus is on the existence and properties of vote allocations that hold no incentives for trading. Without loss of generality we will assume that there are no unanimous issues, i.e., there is no issue k such that either $z_i^k > 0$ for all i or $z_i^k < 0$ for all i .⁹ Consider any trade (v, v') , and let $\Delta_i^k(v, v') = |\delta_i^k(v, v')|$ denote the absolute change in vote holdings for individual i on proposal k . Denote $\Delta_i(v, v') = \sum_{k=1}^K \Delta_i^k(v, v')$. We define:

Definition 2 Let $C \subseteq \mathcal{C}$ be a non-empty coalition. The trade (v, v') is a **payoff-improving trade for C** if $i \in C \Leftrightarrow \Delta_i(v, v') > 0$ and $i \in C \Rightarrow u_i(v') > u_i(v)$.

That is, a trade is called *payoff-improving for C* if only voters in C , and all voters in C , trade, and every voter in C is strictly better off with the outcome that would result from the new vote allocation. Coalition C can have any arbitrary size between 2 and N . We then say:

Definition 3 A coalition $C \subseteq \mathcal{C}$ **blocks** v if there exists a payoff-improving trade (v, v') , for C . Call (v, v') a **blocking trade**.

We denote by $B(v)$ the set of all blocking trades at v – i.e. the set of all feasible payoff-improving trades for all possible coalitions.

Definition 4 A vote allocation $v \in \mathcal{V}$ is **stable** if $B(v) = \emptyset$.

Our definition of stability thus coincides with the core: a vote allocation $v \in \mathcal{V}$ is stable if it belongs in the core. Note that for any N , K , and z the core is not empty: a feasible allocation of votes where a single voter i holds a majority of votes on every issue is always in the core and thus is trivially stable: no exchange of votes involving voter i can make i strictly better-off; and no exchange of votes that does not involve voter i can make anyone else strictly better-off. Hence:

Proposition 1 A stable vote allocation v exists for all z , N , and K .

⁸For any i , strictness is satisfied for all z_i , except for a set of measure zero. Some of the examples considered later in the paper allow voters to have weak preferences. This is done for expositional clarity only, and the examples are easily modified to strict preferences.

⁹Exchanging votes on a unanimous issue can never change the outcome.

2.1 Dynamic adjustment: Pivot algorithms.

Stable vote allocations exist, but are they reachable through sequential decentralized exchange? To answer the question, we need to specify the dynamic process through which trades take place.

We posit a dynamic process characterized by sequences of trades yielding myopic strict gains to all coalition members:

Definition 5 *A **Pivot algorithm** is any mechanism generating a sequence of trades as follows: Start from the initial vote allocation v_0 . If there is no blocking trade, stop. If there is one such trade, execute it. If there are multiple such trades, execute one according to a choice rule R . Continue in this fashion until no further blocking trade exists.*

The definition describes a family of algorithms, and individual algorithms differ in the specification of the choice rule R that is applied when multiple blocking trades are possible. For example, R may select each possible trade with equal probability; or give priority to trades with higher total gains or involving fewer, or more numerous, or specific voters. Rule R can depend on the current allocation or history of votes, and can be stochastic. Formally, R specifies a probability distribution over $B(v)$, for each vote allocation v such that $B(v) \neq \emptyset$. For any $B(v) \neq \emptyset$ and for any $(v, v') \in B(v)$, we denote by $R(v, v') \geq 0$ the probability that (v, v') is selected at v , with $\sum_{v' \in B(v)} R(v, v') = 1$. Note that R selects a trade, hence both a coalition and a specific exchange of votes for that coalition, among all possible coalitions and vote exchanges that are strictly payoff-improving for the voters involved in the trade.

Payoff improving trades are not restricted to two proposals only, nor to exchanging one vote for one vote: a voter can trade her vote or bundles of votes on one or more issues, in exchange for other voters' vote or votes on one or more issues, or in fact in exchange for no other votes. The only restriction we are imposing is that the trades be strictly payoff-improving for all traders. If a trade is payoff improving, it is a legitimate trade under the Pivot algorithms.

The name *Pivot algorithm* comes from an observation due to Riker and Brams (1973): if a trade is strictly payoff improving, it must alter the outcome of the vote; hence it must involve pivotal votes. In the broad definition we are using here, not all traded votes need to be pivotal: as long as some are, and the outcome is modified by the trade in a direction that benefits all members of the trading coalition, redundant votes may be traded too. Redundant votes are votes whose trade does not affect the outcome: votes traded between voters on the same side of an issue, or votes traded between voters on opposite sides, but not sufficient to change which side holds a majority. Their trade is irrelevant to myopic payoffs but can affect the path of future trades by altering the blocking possibilities of different future coalitions.

3 Pivot-stable vote allocations: Existence and Properties

Do Pivot algorithms converge to stable vote allocations? Stated differently, do sequential myopic trades converge to the core? The question is not trivial because any Pivot trade changes default outcomes and alters the existing set of blocking trades, potentially leading to new Pivot trades, in a sequence that in principle could result in a perennial cycle.

3.1 Existence

We define:

Definition 6 *An allocation of votes v is **Pivot-stable** if it is stable and reachable from v_0 through a Pivot algorithm in a finite number of steps.*

The following result establishes the general existence of Pivot-stable vote allocations:

Theorem 1 *A Pivot-stable allocation of votes exists for all v_0 , K , N , and z .*

Before presenting a formal proof of the theorem, it is useful to first explain the intuition with an example.

Example 1. Consider the value matrix in Table 1: rows represent proposals, columns represent voters, and the entry in each cell is z_i^k , the value attached by voter i to proposal k passing. (Recall that the value of a failed proposal is normalized to zero for all voters.)

	1	2	3	4	5
A	2	-1	-2	1	1
B	-1	2	1	-2	2

Table 1: *Value matrix for Example 1.*

Suppose $v_0 = \{\mathbf{1}, \mathbf{1}, \dots, \mathbf{1}\}$. At v_0 , proposals A and B both pass with a vote of 3 – 2: $u_1(v_0) = u_2(v_0) = 1$, $u_3(v_0) = u_4(v_0) = -1$, $u_5(v_0) = 3$. Allocation v_0 is not stable: it can be blocked by voters 3 and 4. Voter 3 gives a B vote to 4, in exchange for an A vote, reaching a new vote allocation $v_1 = \{\{1, 1\}, \{1, 1\}, \{2, 0\}, \{0, 2\}, \{1, 1\}\}$. At v_1 both proposals fail, and $u_3(v_1) = u_4(v_1) = 0$, a strict payoff improvement for voters 3 and 4. Voters 3 and 4 have shifted votes away from a lower value proposal each was, pre-trade, winning towards a higher value proposal each was losing. The difference in values is the key to the payoff-improving nature of the trade. Vote allocation v_1 is not stable either. Voters 1 and 2 can block it: voter 1 can trade her B vote to 2 in exchange for an A vote, reaching allocation $v_2 = \{\{2, 0\}, \{0, 2\}, \{2, 0\}, \{0, 2\}, \{1, 1\}\}$, such that both proposals pass, and $u_1(v_2) = u_2(v_2) = 1$, a strict payoff improvement for 1 and 2 over allocation v_1 . Again, the

logic of the trade is a shift in votes from low-value proposals the voters were winning pre-trade to higher value proposals the voters were losing. Allocation v_2 is stable.

Over the sequence of trades, the voters' myopic payoffs have moved non-monotonically, falling and then rising for voters 1, 2, and 5, rising and then falling for voters 3 and 4. The changes in payoffs reflect both the direct gains from the trades the voters themselves have executed and the externalities caused by others' trades. The number of votes held on each proposal, on the other hand, is affected only by the trades a voter participates in. At each step of the process, we can construct an index of the total potential value of each voter's vote holdings, independently of the voting outcome. Specifically, let this index be defined as the intensity-weighted sum of i 's votes—here $x_i^A v_i^A + x_i^B v_i^B$, and call it i 's *score* at v .¹⁰

Voter i 's score does not change when i does not trade (by construction) and, at least in this example, increases whenever i does trade: after the first trade, it rises from 3 to 4 for voters 3 and 4 (the two voters who trade); after the second trade, it rises, again from 3 to 4, for voters 1 and 2. The increases reflect the logic of the payoff-improving trades. But note that for each voter, the index has a finite ceiling. In this example, the ceiling is $5(x_i^A + x_i^B)$, where 5 is the total number of existing votes on each issue. Thus, if each voter's score can only move monotonically upwards, trade must end in finite time.

What complicates the proof of Theorem 1 is that, unfortunately, the simple monotonicity of the example does not extend to the general case. If multiple votes are given away on the same proposal, if trades involve more than two voters, if some of the votes traded are redundant, in all of these cases traders in payoff-improving trades may see their scores decline. Consider Example 2:

Example 2. The value matrix is reported in Table 2. As before, rows represent proposals, columns represent voters, and the entry in each cell is z_i^k , the value attached by voter i to proposal k passing.

	1	2	3
A	5	-1	-1
B	-4	2	-1

Table 2: *An example where the only existing blocking trade causes a decline in score for voter 1. Vote allocations are $\{ \{1,2\}, \{1,0\}, \{1,1\} \}$*

At v , voter 1 has one vote on A and two votes on B ; voter 2 has one vote on A and zero votes on B , and voter 3 has one vote on each proposal. Without trade, A fails 2-1 and B fails 3-0. But v is not stable: voters 1 and 2 are a blocking coalition. Voter 1 trades both of her B votes to voter 2 in exchange for voter 2's A vote; in the resulting allocation v' both A and B pass 2-1, and $u_1(v') = u_2(v') = 1$, a strict improvement for both voters over $u_1(v) = u_2(v) = 0$. Nevertheless, voter 1's score falls from 13 to 10. There is no alternative trade that benefits all members of a

¹⁰One can see that separability is essential to the construction, as the score function is only well-defined with separable preferences.

trading coalition, and thus there is no trade such that voter 1's score does not fall.

It turns out, however, that the main intuition is robust. The simple fact that all voters taking part in a trade must strictly gain from the trade is sufficient to guarantee that there always exists a path of trades such that any voter's score can decline at most a finite number of times. But then, since the score is bounded, trade must end in finite time. The proof of Theorem 1 defines a general algorithm for constructing such a path for arbitrary environments.

The proof proceeds in two steps. We begin by side-stepping the complication illustrated in Example 2: Lemma 1 shows that if every blocking trade changes outcomes only on proposals that win or lose by exactly one vote, then for every blocking coalition C and for every $i \in C$ there always exists a blocking trade for C that is score-improving for i . The second part of the proof then expands the environment to arbitrary v , allowing for blocking trades in which multiple votes may be traded away.

Before describing the proof, two additional definitions are useful. First, the index used in Example 1 should be defined formally:

Definition 7 Consider voter i and a vote allocation v . Voter i 's **score** at v is given by:

$$\sigma_i(v) = \sum_{k=1}^K x_i^k v_i^k.$$

Second, Lemma 1 applies to blocking trades on proposals decided by a single vote. This too should be made precise.

Definition 8 Call N_+^k the set of voters in favor of proposal k , and N_-^k the set of voters against proposal k . We say that at v a proposal is **decided by minimal majority** if $\left| \sum_{i \in N_+^k} v_i^k - \sum_{i \in N_-^k} v_i^k \right| = 1$.

Lemma 1 Suppose that at v every blocking trade (v, v') changes outcomes only on proposals that are decided by minimal majority at v . Then for any C that blocks v and for any $i \in C$, there exists a blocking trade, (v, v') , such that $\sigma_i(v') > \sigma_i(v)$.

Proof. The proof is constructive. If v is stable, there are no blocking trades. Suppose then that v is not stable and there is at least one blocking coalition; if there is more than one, select any blocking coalition C . Because C is a blocking coalition at v , there must exist at least one set of (two or more) proposals whose resolution is modified by a feasible payoff improving trade within C . If multiple sets of such proposals exist, select one. Call it \tilde{P} . Consider any voter $i \in C$. Define $\tilde{P}^{w(i)} = \{P \in \tilde{P} \mid i \text{ is on the winning side for } P \in \tilde{P} \text{ post-trade and is on the losing side pre-trade}\}$ and $\tilde{P}^{l(i)} = \{P \in \tilde{P} \mid i \text{ is on the losing side for } P \in \tilde{P} \text{ post-trade and is on the winning side pre-trade}\}$, and observe that $\tilde{P} = \tilde{P}^{w(i)} \cup \tilde{P}^{l(i)}$, since, by selection of \tilde{P} , trade changes the resolution of all proposals in \tilde{P} . Because $i \in C$, it must be the case that i strictly gains from the trade overall.

Hence, even though the two sets, $\tilde{P}^{w(i)}$ and $\tilde{P}^{l(i)}$, may have different cardinality, by definition of improving trade, $\sum_{k \in \tilde{P}^{w(i)}} x_i^k < \sum_{k \in \tilde{P}^{l(i)}} x_i^k$. Because all $P \in \tilde{P}$ are decided by minimal majority at v , one can construct a blocking trade by reallocating a single vote within C on each $P \in \tilde{P}$, and leaving unchanged all vote holdings on the other proposals. Specifically, construct a trade such that i receives one extra vote on all $P \in \tilde{P}^{w(i)}$, and gives away one vote on any $P^k \in \tilde{P}^{l(i)}$ such that $v_i^k > 0$. But then

$$\begin{aligned} \sigma_i(v') - \sigma_i(v) &= \left(\sum_{k \in \tilde{P}^{w(i)}} x_i^k v_i'^k + \sum_{k \in \tilde{P}^{l(i)}} x_i^k v_i'^k \right) - \left(\sum_{k \in \tilde{P}^{w(i)}} x_i^k v_i^k + \sum_{k \in \tilde{P}^{l(i)}} x_i^k v_i^k \right) \\ &\geq \sum_{k \in \tilde{P}^{w(i)}} x_i^k - \sum_{k \in \tilde{P}^{l(i)}} x_i^k \\ &> 0. \end{aligned}$$

The score of voter i has increased. ■

An observation about this construction is key to understanding what follows. Voter i , designated as the recipient of a vote for each proposal in $\tilde{P}^{w(i)}$ and, wherever possible, as the source of the traded votes for proposals in $\tilde{P}^{l(i)}$, is chosen arbitrarily and can be any member of the blocking coalition. The trade is constructed to guarantee that i 's score increases: for any arbitrary $i \in C$, there exists a trade with such property.

Proof of Theorem 1. We construct an algorithm such that, starting at any initial vote allocation v_0 , for any K , N , and z , there exists a finite sequence of blocking trades ending in a stable vote allocation v^* .

At any step of the sequence with vote allocation v , denote by $\hat{P}(v)$ the set of proposals that are not decided by a minimal majority at v , with $|\hat{P}(v)| \leq K$. There are three cases to consider. Case 0: there exists no blocking trade. Hence v is stable, and the theorem holds. Case 1: there exists a blocking trade which changes the outcomes on some proposals that are not decided by minimal majority at v . Case 2: all blocking trades at v change only proposals that are decided by a minimal majority at v .

If we are in Case 1 at v , there exists at least one blocking trade that includes exchanging pivotal votes on a non-empty subset of $\hat{P}(v)$. If there are multiple such trades, select one, and call $\hat{\hat{P}}$ the set of non-minimal majority proposals at v whose resolution is modified by the trade. Any outcome achieved by a blocking trade involving $\hat{\hat{P}}$ can always be replicated by a blocking trade, (v, v') , constructed so that at v' all proposals in $\hat{\hat{P}}$ are decided by a minimal majority. Execute one such trade. This reduces the number of proposals that are not decided by a minimal majority by $|\hat{\hat{P}}| > 0$. Thus $|\hat{P}(v')| < |\hat{P}(v)|$. At v' , again we can be in Case 0, Case 1, or Case 2.

If we are in Case 2 at v , then there exists a blocking coalition and a blocking trade for that coalition, (v, v') , that only changes proposals decided by minimal majority at v . If there are multiple such coalitions, select one, and call it C . Assign to each voter an index $i \in \{1, \dots, N\}$, and define i_C^*

to be the unique voter in C with the property that $i_C^* \leq i$ for all $i \in C$ —that is, i_C^* is the voter in C with the lowest index. By Lemma 1 we can find a blocking trade for C such that $\sigma_{i_C^*}(v') > \sigma_{i_C^*}(v)$, and such that the proposals involved in the trade continue to be decided by minimal majority at v' . Execute that trade. At v' , again we can be in Case 0, Case 1, or Case 2.

At any future step and vote allocation v proceed as above. The algorithm defines a sequence of blocking trades, or ends trade if no blocking trade exists. We claim that this algorithm must end after a finite number of trades.

The logic is as follows. First, because $|\hat{P}(v)| \leq K < \infty$ and $|\hat{P}(v')| < |\hat{P}(v)|$ we can only be in Case 1 a finite number of times in the sequence. Thus we only have to ensure that we can be in Case 2 only a finite number of times. Consider voter 1. For voter 1, we know that whenever we are in Case 2 at step t , $\sigma_1(v') > \sigma_1(v)$ if $1 \in C$, because $1 = i_C^*$, and $\sigma_1(v') = \sigma_1(v)$ if $1 \notin C$. Because 1's score is a bounded function of v , this implies that 1 can be in at most a finite number of Case 2 blocking trades. From above, we also know that 1 can be party to at most a finite number of Case 1 blocking trades. Hence there is a finite number of steps in the sequence that have a blocking trade with a coalition that includes voter 1.

Next consider voter 2. For voter 2 we know that $\sigma_2(v') > \sigma_2(v)$ whenever we are in Case 2 and $1 \notin C$ but $2 \in C$, because $2 = i_C^*$. At any step of Case 2 where $\{1, 2\} \subseteq C$, 2's score may possibly decrease because $1 = i_C^*$, but this can happen only a finite number of times, because 1 can only be in a finite number of blocking trades in the sequence. At any step of Case 2 where $2 \notin C$, 2's vote holdings are unchanged, so 2's score is unchanged. Because 2's score is bounded above, this implies that 2 can be in at most a finite number of Case 2 blocking trades. And, from above, we also know that 2 can be involved in at most a finite number of Case 1 blocking trades. Hence there is a finite number of steps in the sequence that have a blocking trade involving voter 2. Extending the logic of this argument to voters with indices $i > 2$, it follows that every voter can be in at most a finite number of blocking trades in the sequence. Because there is a finite number of voters, each of whom can be involved in only a finite number of blocking trades in the sequence, the sequence can only have a finite number of steps, and must end at a stable vote allocation. Hence the set of Pivot stable allocations is non-empty. ■

The result holds broadly. The only condition we impose is that all members of a trading coalition must strictly benefit (myopically) from the trade. We do not restrict the size of the coalition or the number of proposals affected by vote trades; we do not require that trades be one-to-one or limited to pivotal votes. And yet we find that there is always—for any number of voters and proposals, for any profile of separable preferences and any initial vote allocation—a path of payoff-improving trades that leads to a stable vote allocation. Note that because the theorem holds for any arbitrary selection of coalition C , it holds, a fortiori, if we constrain allowable coalitions—for example if we allow only pairwise trades or impose some cohesion requirement on C . Any such constraint will reduce the set of unstable vote allocations and strengthen the case for stability.

The theorem does not say that every trading path must converge to stability; rather, it says

that there always exists a trading path for which this is true. However, the existence of one such path for any arbitrary starting allocation v_0 allows us to identify a broad class of selection rules R for which convergence to stability is guaranteed to occur in finite time. Call R_r the family of all rules R such that, for all $v \in \mathcal{V}$ and for all $(v, v') \in B(v)$, $R(v, v') > 0$. That is, R_r is the family of all stochastic selection rules R that put positive probability on any existing blocking trade. We can then state:¹¹

Corollary 1 *If $R \in R_r$, then for all v_0 , K , N , and z , a Pivot-stable allocation of votes is reached with probability 1 in finite time.*

Proof. For any vote allocation v , if v is stable, the result holds trivially; if not, denote by $L(v)$ the length of the shortest sequence of blocking trades, starting at v and ending at some stable vote allocation $v_{L(v)}^*$. Let $\bar{L} = \max_{v \in \mathcal{V}} \{L(v)\}$, which we know exists because \mathcal{V} is a finite set and a stable vote allocation v^* exists. Let $r = \min\{R(v, v') | B(v) \neq \emptyset \text{ and } (v, v') \in B(v)\} > 0$, and let $\pi = r^{\bar{L}}$ (where \bar{L} is a power). Suppose the initial vote allocation is v_0 . Then the probability that a stable allocation is reached in a sequence of \bar{L} or fewer trades from v_0 is greater than or equal to π . Similarly the probability that a stable allocation is reached in a sequence of $m\bar{L}$ or fewer trades from v_0 is greater than or equal to $\sum_{j=1}^m (1 - \pi)^{j-1} \pi = \pi \frac{1 - (1 - \pi)^m}{1 - (1 - \pi)} = 1 - (1 - \pi)^m \rightarrow 1$ as $m \rightarrow \infty$. ■

No additional condition is required. As long as all trades have some chance of being selected, the result holds: convergence to a stable allocation will occur in a finite number of steps.

3.2 Pairwise Trading

Theorem 1 and its corollary tell us that vote trading will lead to stability for a large class of selection rules, in arbitrary environments. But can we identify conditions under which convergence is guaranteed for all selection rules? Riker and Brams (1973) proposed a trading rule not unlike our Pivot algorithms—payoff-improving, myopic, enforceable trades—and conjectured that convergence to stability required limiting trades to be pairwise. Theorem 1 shows that the conjecture is incorrect. And yet we show in this section that restricting trade to be pairwise can lead to a stronger result. When complemented with one intuitive additional condition, pairwise trading leads to stability along *all* trading paths.

The additional condition excludes the trade of redundant votes—the gratuitous exchange of votes that have no effect. Once again, it is required to preserve the monotonicity of the score function along the path of trade. Consider the following example:

Example 3. Suppose $v_0 = \{\mathbf{1}, \dots, \mathbf{1}\}$. There are four proposals and five voters, and the value matrix is shown in Table 3:

¹¹The intuition is similar to a well-known result in the matching literature: in marriage markets, random matching algorithms will eventually lead to a stable match (Roth and Vande Vate 1990). Note however that our environment is quite different, primarily because payoffs depend on the entire profile of vote allocations.

	1	2	3	4	5
<i>A</i>	1	-2	2	1	-1
<i>B</i>	-2	1	2	-1	1
<i>C</i>	1	3	-1	-3	-1
<i>D</i>	2	1	1	-2	-1

Table 3: *Pairwise Pivot trades need not converge if redundant trades are possible. An example.*

At v_0 , proposals A, B , and D pass; proposal C fails. All proposals pass or fail by minimal majority. Consider the following sequence of pairwise Pivot trades. At v_0 , voter 1 gives one A vote and one D vote to 2, in exchange for one B vote and one C vote. The trade is strictly payoff-improving for both traders because it alters the majority direction on A and B ; it does not alter the voting tally on C and D , on which 1 and 2 agree. At v_1 , proposal D passes and all others fail. Voters 2 and 3 can block v_1 : voter 2 gives one A vote and one D vote to 3, in exchange for one C and one B vote. The trade alters the majority on A and C , and is payoff-improving for both voters; it does not affect the resolution of D and B , on which the two voters agree. At v_2 , A, C , and D pass, and B fails. But v_2 is not stable: voters 3 and 4 can trade and raise their myopic payoff. Voter 3 gives one D vote and one A vote to 4, in exchange for one B and one C vote. The majority changes on B and D , but not on A and C , on which the two voters agree. At v_3 , A, B , and C pass, and D fails. But voters 1 and 4 can block v_3 : voter 1 gives one C and one B vote to 4, in exchange for one D and one A vote. The trade is strictly payoff-improving because it alters the majority on C and D in the direction both traders prefer; it does not alter the majority on A and B , on which the two traders agree. This last trade, however, has brought the vote allocation back to v_0 . The sequence of trades can then be repeated into a never ending cycle.

In Example 3, all Pivot trades are pairwise and all proposals, at any step on the path of trade, are decided by minimal majority. Yet, it is readily verified that traders' scores at times decrease, and vote allocations cycle. The problem comes from vote trades on proposals on which the traders agree. These redundant trades have no effect on payoffs, and thus a voter can trade away a vote on a high value proposal for a vote on a lower value proposal: the trade has no effect, but the voter's score declines. The declines in score make cycles possible.

To guarantee convergence to a stable vote allocation, we need to rule out redundant trades. What this means exactly is formalized in the following two definitions.

Definition 9 (v, v'') is a reduction of (v, v') if $P(v'') = P(v')$, $\Delta_i^k(v, v') = 0 \Rightarrow \Delta_i^k(v, v'') = 0$ for all i, k , and for all i, k , $\Delta_i^k(v, v') \geq 0 \Rightarrow \Delta_i^k(v, v') \geq \Delta_i^k(v, v'')$, with $\Delta_i^k(v, v') > \Delta_i^k(v, v'')$ for some i, k .

Definition 10 Consider a blocking trade (v, v') . We say that (v, v') is a minimal blocking trade if there does not exist a reduction of (v, v') .

	1	2	3	4	5	6	7
<i>A</i>	2	-1	-1	-1	1	1	1
<i>B</i>	-1	2	-1	-1	1	1	1
<i>C</i>	-1	-1	2	-1	1	1	1
<i>D</i>	-1	-1	-1	2	1	1	1

Table 4: *Minimal Pivot trades need not converge if coalitional trades are possible. An example.*

Loosely speaking, minimality rules out two kinds of trades: if trade (v, v') does not change the outcome of proposal k , then no votes are traded on k ; and if trade (v, v') does change the outcome of proposal k , then k is decided by minimal majority at v' . It is straightforward to show that if v is not a stable allocation, then the set of minimal blocking trades is non-empty.

We can then state:

Theorem 2 *If trades are restricted to be pairwise and minimal, then a Pivot-stable allocation of votes exists for all v_0 , K , N , z , and R .*

As in the case of Theorem 1, the proof builds on the score function. It shows that, in the streamlined environment of Theorem 2, traders' scores can decrease only if trade occurs on non-minimal majority proposals. But by minimality, any such trade must bring the proposals to minimal majority, and thus the number of trades on which scores can fall must be finite. Because the score function is bounded and the number of voters is finite, it then follows that the number of trades must be finite and bounded as well. And this must be true on any path of trade determined by any choice rule R . A formal proof is in Appendix A.

Example 3 shows that, without minimality, pairwise trade is not sufficient to guarantee convergence to stability for all selection rules. But it is also the case that, without the restriction to pairwise trading, minimality is not sufficient either. Consider the following example:

Example 4. Table 4 reports the value matrix. The initial vote allocation is $v_0 = \{\mathbf{1}, \mathbf{1}, \dots, \mathbf{1}\}$.

At v_0 , all proposals pass by minimal majority, and $u_i(v_0) = -1$ for $i = \{1, 2, 3, 4\}$. Consider a coalition composed of such voters, and the following coalition trade: voter 1 gives her A vote to voter 2, in exchange for 2's B vote; voter 3 gives her C vote to voter 4, in exchange for 4's D vote. At v_1 , all proposals fail and $u_i(v_1) = 0$ for all coalition members. For all, the trade is strictly improving. The vote allocation v_1 is not Pivot stable: voters 1 and 2 can block v_1 by trading back their respective votes on A and B , reaching outcome $\mathbf{P}(v_2) = AB$, and enjoying a strictly positive increase in payoffs: $u_j(v_2) = 1$ for $j = \{1, 2\}$. At v_2 , $u_s(v_2) = -2$ for $s = \{3, 4\}$, but 3 and 4 can block v_2 , trade back their votes on C and D , and obtain a strict improvement in their payoff: $\mathbf{P}(v_3) = ABCD$, and $u_s(v_3) = -1$ for $s = \{3, 4\}$. The sequence of trades has generated a cycle: $v_3 = v_0$, an allocation that is blocked by coalition $C = \{1, 2, 3, 4\}$, etc.. Hence for R that selects the blocking coalitions in the order described, no Pivot stable allocation of votes can be reached.

We can rephrase the observation in terms of each voter's score: although all trades are strictly payoff-improving, the first coalition trade, from v_0 to v_1 , lowers the score of all traders involved from 5 to 4. The two successive trades raise the traders' scores back to 5, one pair at a time, but the initial decline makes a cycle possible.

Note that all trades in Example 4 are minimal. And yet, a decline in scores can accompany a profitable trade because of the trading externalities present within the coalition: a coalition member can engage in a vote exchange that by itself would not be profitable and that causes a decline in score because she benefits from the other members' trades. When trade is pairwise and minimal, all trades must be advantageous to all active traders, and this cause of possible cycles is excluded.

We conclude this section with one final remark on the technique used to prove and illustrate our results. We have relied repeatedly on the score function because it makes transparent the source of the gain from blocking trades and the built-in ceiling in such possible gains and trades. The score function is a cardinal measure of the potential value of voters' vote holdings, but it is important to stress that the reliance on a cardinal measure is for convenience only. The logic is fully ordinal: changing all intensities x_i^k in any arbitrary fashion that preserves all ordinal rankings has no impact on any of our results.

3.3 Properties of Pivot-stable outcomes

Following Theorem 1, a Pivot-stable vote allocation always exists. When trade comes to an end, the outcome of the vote is realized. Do outcomes reached via vote trading possess desirable welfare properties?

We define:

Definition 11 *An outcome $\mathbf{P}(v)$ is a **Pivot-stable outcome** if v is a Pivot-stable vote allocation.*

For any fixed K , N , and z , we denote \mathcal{V}^* the set of all Pivot-stable vote allocations, and $\mathcal{P}(\mathcal{V}^*)$ the set of all stable outcomes reachable with positive probability through a Pivot algorithm. If $\mathcal{P}(\mathcal{V}^*)$ is a singleton, we use the notation $\mathbf{P}(\mathcal{V}^*)$ to denote the unique element of $\mathcal{P}(\mathcal{V}^*)$.¹²

We find:

Theorem 3 *All Pivot-stable outcomes must be in the Pareto set, for all v_0 , K , N , and z .*

Proof. We know from Theorem 1 that a Pivot-stable outcome exists. Regardless of the history of previous trades, if the outcome is Pareto dominated, then the coalition of the whole can always reach a Pareto superior outcome and has a profitable deviation. But then the allocation corresponding to the Pareto-dominated outcome cannot be Pivot-stable. ■

¹²Note that uniqueness of $\mathcal{P}(\mathcal{V}^*)$ does not imply that \mathcal{V}^* is a singleton. There can be multiple Pivot-stable vote allocations, all leading to the same outcome.

If no restriction on coalition formation is imposed, all Pivot-stable outcomes must be Pareto optimal. Coupled with Theorem 1, Theorem 3 teaches us that vote trading can always reach a Pareto optimal outcome (contrary to earlier conjectures). But note that the result relies on being able to form the coalition of the whole. Thus the result holds for any coalitional restriction that does not interfere with the coalition of the whole, but does not hold if such coalition cannot form. Riker and Brams' (1973) "paradox of vote trading" is a well-known example where pairwise trades only are possible, and the outcome they identify (which would be Pivot-stable if only pairwise trades were allowed) is not Pareto optimal.¹³

A second property generally viewed as desirable in voting environments is the ability to reach the Condorcet winner: the outcome that is preferred by a majority of voters to every other outcome. The Condorcet winner need not exist, and a voting system is said to satisfy Condorcet consistency if it uniquely selects the Condorcet winner whenever it does exist. Is Pivot stability Condorcet consistent?¹⁴

Because the Condorcet winner implicitly assumes unweighted voting, in the remainder of this section we restrict the analysis to environments where $v_0 = \{1, ., 1\}$. The main result is negative: vote trading may lead to stable outcomes that differ from the Condorcet winner.

Proposition 2 *If $K > 2$ and $N > 3$, there exist z such that \mathbf{P} is the Condorcet winner but there exists $\mathbf{P}' \neq \mathbf{P}$ such that $\mathbf{P}' \in \mathcal{P}(\mathcal{V}^*)$.*

Proof. Consider the following environment with $v_0 = \{1, \dots, 1\}$, $K = 3$ and $N = 5$:

	1	2	3	4	5
A	4	-7	1	-1	4
B	1	1	-4	4	-1
C	-3	4	2	-2	2

Table 5: *Preference profile such that a Pivot-stable outcome is not the Condorcet winner.*

For the preference profile in Table 5, $\mathbf{P}(v_0) = ABC$ is the Condorcet winner. Consider the following set of trades. At v_0 , voter 2 gives a B vote to 3, in exchange for a A vote; at the new vote allocation $\mathbf{P}(v_1) = C$. However v_1 is not stable: it can be blocked by voters 4 and 5, trading votes on A and B so that $\mathbf{P}(v_2) = ABC$. But v_2 is again not stable: it can be blocked by 1 and 3, trading votes on B and C so that $\mathbf{P}(v_3) = A$. Allocation v_3 is stable, and thus A is a Pivot-stable outcome along this path of trade. To see that v_3 is stable, notice that no B votes can be traded because voter 3 has a majority of B votes and ranks winning B higher than winning A and C . Thus at v_3 the proposals on which trade can possibly occur are only two, A and C , and the possible

¹³It is also easy to construct cases in which a stable outcome reached via pairwise trade is in fact Pareto optimal. The general point is that with pairwise trade Pareto optimality is not guaranteed.

¹⁴Utilitarian welfare criteria are not appropriate here because they depend on cardinal preferences, and thus can vary for fixed ordinal rankings.

outcomes are A (the outcome at v_3) or C . Voter 3 cannot trade votes away because she has 0 votes on both A and C . As for the other voters, either they do not want to trade because they prefer A to C (voters 1, 4 and 5) or only hold losing votes and cannot trade (voter 2). Finally, note that although a majority prefers $ABC = \mathbf{P}(v_0)$ to $A = \mathbf{P}(v_3)$, the no-trade allocation v_0 is not stable.

The example can be generalized to an arbitrary number of voters and proposals. Maintaining first $K = 3$, we can add to the example any even number of voters such that at v_3 half of them win on all proposals (i.e. prefer A to pass, and B and C to fail) and half of them lose on all proposals (i.e. prefer A to fail, and B and C to pass). Adding such voters cannot induce any further trade at v_3 . As long as their preferences are such that both types of voters rank ABC above both outcome B and outcome C , ABC remains the Condorcet winner. And yet $\mathbf{P}(v_3) = A$ remains Pivot stable. We can then extend the example to arbitrary $K > 3$ by adding proposals such that for each additional proposal, k' , voters $i = 1, \dots, N - 1$ are all in favor of k' passing, and furthermore $z_i^{k'} > x_i^A + x_i^B + x_i^C > 0$ for $i = 1, \dots, N - 1$. This guarantees that no trade involving these additional proposals will take place, and $\mathbf{P}(v_3) = A$ remains Pivot-stable. ■

Pivot-stability not only fails to satisfy Condorcet consistency; by immediate extension, Proposition 2 implies that Pivot stability is inconsistent with any solution concept that is itself Condorcet consistent.- i.e., that uniquely selects the Condorcet winner when it exists.

The negative result in Proposition 2 does not extend to the special cases of $K = 2$ or $N = 3$. The two propositions below make this point. They are stated separately because the two results stem from very different logic.

Proposition 3 *If $N = 3$, then for all K and z , if the Condorcet winner exists, $\mathcal{P}(\mathcal{V}^*)$ is a singleton, and is the Condorcet winner.*

Proof. See Appendix A. ■

Proposition 4 *If $K = 2$, then for all N and z , $\mathcal{P}(\mathcal{V}^*)$ is a singleton and is the Condorcet winner, if the Condorcet winner exists. If $\mathbf{P}(\mathcal{V}^*) \neq \mathbf{P}(v_0)$, a majority prefers $\mathbf{P}(\mathcal{V}^*)$ to $\mathbf{P}(v_0)$.*

Proof. See Appendix A. ■

With $N = 3$, the result follows immediately. From Park (1967) and Kadane (1972), we know that the Condorcet winner, if it exists, must coincide with the no trade outcome. If $N = 3$, a pair of voters constitutes a majority, and thus if v_0 delivers the Condorcet winner it cannot be blocked. But Proposition 4 does not follow as directly, because trade is indeed possible. Rather, its proof highlights that in the case of two proposals, trading via the Pivot algorithm can reach only two possible outcomes - the no trade outcome and its complement. This effectively partitions all voters into two groups, with opposite preferences between the no trade outcome and its complement. Differences in preferences ranking over other outcomes within each of these two groups are irrelevant because such outcomes are unreachable. Over reachable outcomes, preferences within each group are perfectly aligned. The scenario thus effectively reduces to a contest between two alternatives,

the no trade outcome and its complement, whose resolution is fully determined by which side holds more votes. In contrast, when there are more than two proposals all 2^K possible outcomes are reachable in principle, and it is not possible to partition the voters into two groups with opposite preferences over exactly two reachable outcomes. Hence the logic of the proof of Proposition 4 breaks down for $K > 2$.

4 Farsighted vote trading

As in most theoretical work on network formation, barter, and matching, the dynamic process we have studied so far is defined by a myopic algorithm: the Pivot algorithm is explicitly myopic. A natural question is whether the model can be extended to accommodate forward looking behavior by the voters, and whether such extension leads to better properties of the resulting outcomes. Strictly improving myopic trade can trigger subsequent trades by others that harm the initial traders, not only undoing their original gain but leading to a worse outcome than the pre-trade vote allocation (as is the case for instance for voter 2 in Table 5).

One approach to modeling forward looking sophistication is to reformulate the model as a dynamic extensive form game, and characterize the properties of the perfect equilibria of the game. This, however, requires a different framework, one that imposes much more structure on the basic vote trading process—specifying a well-defined sequence of moves, information sets, rationing rules. A more tractable approach based on cooperative game theory delivers a natural extension of the myopic model. The problem remains complex: because of the externalities involved and because the opportunities for trade depend on the vote allocation, vote trading cannot be represented under any of the existing cooperative models of farsightedness.¹⁵ Yet we show in this section that the concept of Pivot stability generalizes to farsighted vote trading, and that the extension allows us to establish some results.

4.1 Farsighted stability

We begin with some preliminary conventional definitions.

Given two vote allocations v and v' , a coalition C is *effective* for (v, v') if $v' \in \mathcal{V}$ (v' is feasible) and $v'_i = v_i$ for all $i \notin C$. That is, voters in C can move the vote allocation from v to v' by reallocating votes among themselves only. A *chain* from v to v' is an ordered sequence of vote allocations v_1, \dots, v_m , with $v_1 = v$ and $v_m = v'$, and a corresponding sequence of effective coalitions C_1, \dots, C_{m-1} such that for all $t = 1, \dots, m-1$, C_t is effective for (v_t, v_{t+1}) . A chain is a *farsighted chain* (an *F-chain*) if, in addition, $u_j(v_t) < u_j(v')$ for all $t = 1, \dots, m-1$, and all $j \in C_t$, i.e. if all members of all effective coalitions in the chain strictly prefer the final vote allocation to the allocation at which they trade. Coalitions in an F-chain thus differ from our earlier definition of

¹⁵See Chwe (1994), Mauleon et al. (2011), Ray and Vohra (2015), Dutta and Vohra (2015), and the references therein.

blocking coalitions under two dimensions: (1) at any $t = 1, \dots, m - 2$, the members of coalition C_t , effective for (v_t, v_{t+1}) need not prefer v_{t+1} to v_t , either strictly or weakly; (2) they must however strictly prefer the final allocation v' to v_t .

For any pair of vote allocations, v and v' , v' is said to *farsightedly dominate* (*F-dominate*) v if there exists an F-chain from v to v' . Let $D(v) \equiv \{v' \in \mathcal{V} \mid v' \text{ F-dominates } v\}$. That is, $D(v)$ is the set of feasible vote allocations reachable from v via a farsighted chain.

As noted earlier, the definition of stability we have used so far corresponds to the core. The most natural extension of our approach is to define farsighted stability by reference to the farsighted core:

Definition 12 *The farsighted core, \mathcal{V}_F^* , is the set of all F-undominated vote allocations. That is, $\mathcal{V}_F^* = \{v \mid D(v) = \emptyset\}$.*

Definition 13 *A vote allocation $v \in \mathcal{V}$ is farsightedly stable (*F-stable*) if and only if $v \in \mathcal{V}_F^*$*

Note that if allocation v is not myopically stable (in the sense of Definition 4) then v is not farsightedly stable because $D(v)$ is not empty: there exists v' , reachable via a one-step F-chain, that dominates v . Hence the set of farsightedly stable vote allocations is a subset of the set of stable vote allocations. Nonetheless, the farsighted core is non-empty, by the same argument used to prove Proposition 1 (i.e., dictatorial vote allocations are farsightedly stable).

Proposition 5 . *An F-stable vote allocation v exists for all K , N , and z .*

4.2 F-stable vote allocations reachable via trading: existence and properties

As in our previous discussion, however, what we want to know is whether F-stable vote allocations are *reachable from v_0* via an F-chain.¹⁶ The definition of farsighted stability does not take into account the initial starting point. But domination chains provide the necessary dynamic link—they are the farsighted parallel to the myopic Pivot algorithm. We call $\mathcal{V}_F^*(v_0)$ the set of farsightedly stable vote allocations *relative to the initial allocation v_0* : $v \in \mathcal{V}_F^*(v_0)$ if either v is reachable from v_0 by an F-chain and is not F-dominated, or v_0 is undominated and $v = v_0$.¹⁷ Formally:

Definition 14 *$v \in \mathcal{V}_F^*(v_0)$ and thus is farsightedly stable relative to v_0 (is an F_0 -stable vote allocation) if and only if one of the following holds: either (1) $v \in D(v_0) \cap \mathcal{V}_F^*$, or (2) $D(v_0) = \emptyset$ and $v = v_0$.*

Is the set $\mathcal{V}_F^*(v_0)$ always non-empty? Unfortunately, this is not guaranteed.

¹⁶Our analysis of farsighted stability makes no restriction on the initial vote allocation, v_0 .

¹⁷As in the case of the Pivot algorithm, at v_0 multiple F-chains might exist. F-stability is defined relative to any possible F-chain, just like myopic stability was defined relative to any possible rule R .

	1	2	3	4	5
A	2	-2	-1	1	-1
B	1	-1	-2	2	2

Table 6: A farsightedly stable allocation relative to v_0 need not exist. An example.

Theorem 4 *There exist K , N , v_0 , and z such that no vote allocation is farsightedly stable relative to v_0 .*

We prove the theorem in Appendix A, using the environment displayed in Table 6.

The initial allocation is $v_0 = \{\mathbf{1}, \dots, \mathbf{1}\}$. In this example, v_0 cannot be F_0 -stable because there exists v' that dominates v_0 . At v_0 , $\mathbf{P}(v_0) = B$, but there exists a one-trade F-chain to v' such that $\mathbf{P}(v') = A$: voter 1 can give a B vote to 3 in exchange for an A vote, and the trade is profitable for both. Allocation v' F-dominates v_0 , but v' is not stable either: again there exists a one-trade F-chain to v'' such that $\mathbf{P}(v'') = B$: voter 2 gives a B vote to 4 in exchange for an A vote, and again the trade is profitable for both. Thus $v' \notin \mathcal{V}_F^*(v_0)$. Note that v'' is not reachable via an F-chain from v_0 ; thus $v'' \notin D(v_0)$.¹⁸ The proof in Appendix A shows that v' is the unique vote allocation that F-dominates v_0 . It then follows that $\mathcal{V}_F^*(v_0)$ is empty.

Extending the analysis to farsightedness thus can reverse the earlier stability result. In our example, the vote allocation v'' is both myopically and farsightedly stable (it belongs in the farsighted core). It is the unique Pivot-stable allocation, and would be reached by myopic traders in two steps. But v'' is not reachable from v_0 by farsighted traders because it does not F-dominate v_0 . Convergence to a stable allocation breaks down.

Given Theorem 4, a natural question is whether the definition of farsighted stability should be weakened to guarantee existence. Different farsighted stability concepts have been proposed in the literature to overcome the problem of an empty F-core—most noticeably the Bargaining set (Maschler 1992) and farsighted extensions of the von Neumann and Morgenstern stable set (Harsanyi 1974, Chwe 1994, Dutta and Vohra 2015, Ray and Vohra 2015). We discuss these alternative approaches in Appendix B.¹⁹ But note that the farsightedness questions investigated in this paper are different: we know that the F-core is not empty; the question is whether a domination chain can reach the F-core, *starting from some initial allocation* v_0 . We also know that for some parameter values the answer is positive—it is easy to construct such examples, for instance modifying the value matrix in Table 6 by setting $z_4^A = 2$ and $z_4^B = 1$. Thus in general $\mathcal{V}_F^*(v_0)$ need not empty, and F_0 -stable allocations do exist.

When an F_0 -stable allocation exists, how does the related vote outcome fare in terms of welfare?

¹⁸Both F-chains are one-trade F-chains, or equivalently myopic payoff-improving trades. But recall that an allocation cannot be F-undominated if it is myopically dominated.

¹⁹Briefly: we can use the logic of the Bargaining set to guarantee that $\mathcal{V}_F^*(v_0)$ is not empty. Building on the F-stable set—the farsighted extension of the von Neumann and Morgenstern stable set—is more ambitious and more difficult. In particular, existence is not guaranteed.

	1	2	3	4	5
A	1	2	1	-1	-2
B	-2	1	2	2	-1

Table 7: $\mathcal{V}_F^*(v_0)$ is not empty but contains no vote allocation yielding the Condorcet winner. An example.

The myopic analysis already delivers an answer. Recall that an allocation not in the Pareto set is not in the myopic core, and hence is not in the F-core. Thus Theorem 3 extends directly to farsightedness.

Call $\mathbf{P}_{F_0}(v)$ a farsightedly-stable outcome relative to v_0 (F_0 -stable) if $v \in \mathcal{V}_F^*(v_0)$.

Theorem 5 *If $v \in \mathcal{V}_F^*(v_0)$, then $\mathbf{P}_{F_0}(v)$ is Pareto optimal, for all v_0 , K , N , and z .*

The second question—whether there is any relationship between F_0 -stable outcomes and the Condorcet winner—is less straightforward, and here our conclusions are less positive.²⁰ As remarked earlier, if the Condorcet winner exists it can only be the outcome corresponding to v_0 . But any $v \in \mathcal{V}_F^*(v_0)$ reached by farsighted trade must lead to an outcome that traders strictly prefer to $\mathbf{P}(v_0)$, and thus $\mathbf{P}_{F_0}(v) \neq \mathbf{P}(v_0)$ for all $v \neq v_0$. At the same time, $v_0 \in \mathcal{V}_F^*(v_0)$ only if v_0 is F-undominated, i.e. if there is no trade. This logic implies Proposition 7 and its corollary in Appendix A: the Condorcet winner can be an F_0 -stable outcome only in the absence of vote trading. Hence, in our model vote trading and farsightedness are incompatible with achieving the Condorcet winner.

The result would not be problematic if, in the presence of farsightedness, the existence of the Condorcet winner guaranteed no trade. This in fact is what must happen if $N = 3$, following the same logic as the myopic case: if $\mathbf{P}(v_0)$ is the Condorcet winner, no F-chain can exist out of v_0 ; hence v_0 is the unique F_0 -stable vote allocation and the Condorcet winner is the unique F_0 -stable outcome. Proposition 3 extends to farsighted stability.

More interesting are the normative properties of vote trading when profitable trades may in principle take place. Under myopia, we know that when voting concerns two proposals only, vote trading always yields the Condorcet winner when the Condorcet winner exists. The result does not extend to farsighted trading:

Proposition 6 *Suppose $K = 2$ and the Condorcet winner exists. Then there exist N and z such that $\mathcal{V}_F^*(v_0)$ is not empty but contains no vote allocation yielding the Condorcet winner.*

Proof. Consider the environment in Table 7.

$\mathbf{P}(v_0) = AB$ is the Condorcet winner. Consider the following two-step F-chain ending at v , with $\mathbf{P}(v) = B$: starting at v_0 , 4 gives a B vote to 5, and 5 gives an A vote to 4 (and thus $\mathbf{P}(v_1) = A$); at v_1 , 3, 4, and 5 transfer all their votes to 4, reaching v such that $\mathbf{P}(v) = B$ and making 4 dictator.

²⁰As in Section 3.2, the analysis of Condorcet winners assumes $v_0 = \{1, \dots, 1\}$.

Because 4 is dictator and obtains her preferred outcome, v is in the F-core. Hence $v \in \mathcal{V}_F^*(v_0)$: v is farsightedly stable relative to v_0 . Proposition 7 (in Appendix A) shows that, if there exists $v \in \mathcal{V}_F^*(v_0)$ and $\mathbf{P}(v)$ is not the Condorcet winner, then there exists no F_0 -stable allocation whose outcome is the Condorcet winner. ■

Note, for comparison, that in Table 7 v_0 is myopically stable, and, in line with Proposition 4, $\mathbf{P}(v_0)$, the Condorcet winner, is the unique Pivot-stable outcome.

The result contradicts the plausible intuition that farsightedness might favor achieving the Condorcet winner. In fact, the opposite is true: even in the one limited case in which vote trading is guaranteed to deliver the Condorcet winner under myopia, the result breaks down under farsightedness.

5 Conclusions

This paper proposes a general theoretical framework for studying vote trading in committees. It starts from two essential features: (1) a notion of stability: a stable vote allocation is such that no strict payoff improving vote trade exists; and (2) a class of vote trading algorithms—Pivot algorithms—that define dynamic paths from initially unstable vote allocations to stable vote allocations. The model has three key assumptions. First, proposals are binary and preferences are separable across proposals: a voters’ preferred resolution of proposal A does not depend on the resolution of proposal B . Second, voting takes place proposal by proposal. Voters can trade votes simultaneously on multiple proposals without constraint, but each vote is specialized by proposal. Finally, as in the canonical model of economic exchange, each vote trade is a transfer of a property right among the trading parties. Thus trades cannot be reversed unilaterally, and votes can be re-traded.

The central finding of the paper is a general existence result: there always exists a sequence of payoff-improving trades that leads to a stable vote allocation in finite time, from any initial distribution of votes, for any number of voters and proposals, for any separable preferences, and for any conditions on feasible trading coalitions. Furthermore, if all blocking trades are selected with positive probability, then trading is guaranteed to converge to a stable vote allocation with probability one.

In the absence of restrictions on feasible trading coalitions, outcomes corresponding to stable vote allocations must be in the Pareto set, but in general there is no guarantee that trading will result in the Condorcet winner when it exists.

It is natural to conjecture that the properties of vote trading might improve if voters are not myopic and correctly anticipate the consequences of a trade they engage in, trade which can trigger future trades by other voters. But farsighted vote trading does not lead to stronger results. In fact, existence is not guaranteed any longer: farsightedly-stable vote allocations reachable from the initial vote allocation need not exist. If such an allocation does exist, it need not include the

Condorcet winner, even in special scenarios in which the Condorcet winner is always reached under myopia. Furthermore, we find that active vote trading, farsightedness, and the achievement of the Condorcet winner are incompatible. That is, if voters are farsighted, the Condorcet winner can be the farsighted outcome only if the pre-trade vote allocation is farsightedly stable and no vote trading takes place.

The basic framework developed in this paper answers core questions of existence, Pareto optimality, and Condorcet consistency. It is a building block that suggests a number of new directions to pursue.

One potentially productive extension is to committees that operate under voting rules other than simple majority, with veto players or supermajority requirements. Our framework can be modified to allow for general voting rules. A voting rule is a mapping that assigns a unique outcome (a subset of passing proposals) to each vote allocation, $Q: \mathcal{V} \rightarrow 2^K$. In such a representation, majority rule is defined by: $k \in Q(v) \iff \sum_{\{i|z_i^k > 0\}} v_i^k - \sum_{\{i|z_i^k < 0\}} v_i^k > 0$. A qualified majority rule requires the difference between yes votes and no votes to be greater than or equal to some threshold $\Delta > 0$. The presence of veto players can also be represented as a Q function. Other formal parts of the theory, such as the definitions of blocking coalitions, blocking trades, stability, Pivot algorithms, and so forth are unchanged, although different voting rules will imply different blocking trades. Thus, vote allocations that are stable or reachable through a sequence of blocking trades will generally depend on Q . An analysis of vote trading under different voting rules could improve our understanding of how different voting rules may lead to more or less vote trading, and how voting rules affect the normative properties of the stable allocations that are reached through trading.

A second, related extension would consider different restrictions on the vote trading process. Restrictions could take different forms. They could be embodied in the contract through which votes are exchanged, for example limiting the extent of re-trading to which a vote is subject. In our model, once traded, a vote can be traded further by its now owner without any residual control left to the original owner. If vote trading takes the form of cooperative agreements, re-trading may be problematic even if the original agreement were enforceable. Because proposals are binary in our model, one-step re-trading is equivalent to releasing a former trading partner from her commitment, but longer chains may well be difficult to execute. Whether restrictions on re-trading would favor or hamper convergence to stability is an open question.

Alternatively, restrictions could be imposed on the coalitions that can organize vote trades. We have studied explicitly two possibilities only: unlimited coalitional trading (i.e., no restriction at all on the coalitions that can organize a trade), and, for some additional results, pairwise trading (i.e., any coalition of exactly two voters). But in some committees or legislatures, norms or party ties may limit which coalitions can form. For example, in some cases it is difficult to engage in vote trades that cross ideological or party lines. In other cases, the leadership within the committee may play a key role in negotiating and enforcing agreements. As noted above, restricting coalitions will not affect the main existence theorem, because restrictions makes blocking more difficult, but could affect the properties of Pivot stable outcomes.

A third possible direction concerns agenda setting and agenda manipulation. In the model studied in this paper, the set of binary issues is assumed to be exogenously given, and stable outcomes are determined by the profile of voters' ordinal rankings over the outcomes. In practice, the proposals up for vote are typically the outcome of an agenda formation process. One can imagine different ways to introduce such a process into the model. In one such approach, an agenda setter or committee chair may have the power to bundle proposals. Alternatively, the committee may collectively decide, through a voting process, how to bundle a large number of proposals into a smaller number of proposals. Our results suggest that reducing the number of effective proposals—reducing the number of possible trades—may in some circumstances be beneficial. Agenda setting in the form of bundling introduces a different perspective on modeling logrolling in committees. Considering the agenda formation process would move the analysis in the direction of bargaining models of legislative decision making (Baron and Ferejohn (1989)) suggesting a non-cooperative game approach, in contrast to the stability approach pursued here.

Finally, a different but important question is how to incorporate uncertainty in the model. Our framework has no formal inclusion of uncertainty. In a companion paper (Casella and Palfrey, 2016), we report findings from an experiment that reproduces the framework studied here, but where trades are proposed and executed by subjects, as opposed to being ruled by an algorithm. We find some hoarding of votes on high value proposals, perhaps as a hedge against adverse vote trading by others. Subjects seem sensitive to the strategic uncertainty they face: it is difficult to predict future vote trades that might be triggered by a current vote trade. The presence of such "vague" uncertainty suggests that ambiguity might also play a role. More traditional modeling of uncertainty using a Bayesian game approach could also be explored, incorporating private information either about one's own preferences or about an unknown state of the world that affects everyone's welfare, as in Condorcet jury models.

Appendix A. Proofs

Theorem 2. *If trades are restricted to be pairwise and minimal, then a Pivot-stable allocation of votes exists for all v_0 , K , N , z , and R .*

Proof. We begin by supposing, as in Lemma 1, that at some v all blocking trades involve only proposals that are decided by minimal majority. Then, by minimality of the trades no more than one vote is ever traded on any given proposal (although trades could involve bundles of proposals). If i does not trade, then $\sigma_i(v') = \sigma_i(v)$, by construction. If i does trade, recall the notation used on the proof of Lemma 1 and call \tilde{P} the set of proposals on which i trades, $\tilde{P}^{l(i)}$ the subset i wins pre-trade and loses post-trade, and $\tilde{P}^{w(i)}$ the subset i loses pre-trade and wins post-trade. By minimality, the resolution of all proposals on which votes are traded must change. Hence $\tilde{P}^{l(i)} \cup \tilde{P}^{w(i)} = \tilde{P}$. Although the two sets may have different cardinality, by definition of pairwise improving trade, $\sum_{k \in \tilde{P}^{l(i)}} x_i^k < \sum_{k \in \tilde{P}^{w(i)}} x_i^k$. Since a single vote is traded on each proposal, we have:

$$\begin{aligned} \sigma_i(v') - \sigma_i(v) &= \left(\sum_{k \in \tilde{P}^{w(i)}} x_i^k v_i^k + \sum_{k \in \tilde{P}^{l(i)}} x_i^k v_i^k \right) - \left(\sum_{k \in \tilde{P}^{w(i)}} x_i^k v_i^k + \sum_{k \in \tilde{P}^{l(i)}} x_i^k v_i^k \right) \\ &\geq \sum_{k \in \tilde{P}^{w(i)}} x_i^k - \sum_{k \in \tilde{P}^{l(i)}} x_i^k \\ &> 0. \end{aligned}$$

The score of voter i has increased.

Hence if i trades, $\sigma_i(v') > \sigma_i(v)$. At any future step, either there is no trade and the Pivot-stable allocation has been reached, or there is trade, and thus there are two voters i and j whose score increases. The scores of all voters executing pairwise minimal trades on proposals decided by minimal majority must increase.

Suppose now that at v some blocking minimal trades involve proposals that are not decided by minimal majority. Call the set of such proposals $\hat{P}(v)$. On such proposals, no single vote is pivotal, and hence trades must concern more than one vote. As a result, although $\sum_{k \in \tilde{P}^{l(i)}} x_i^k < \sum_{k \in \tilde{P}^{w(i)}} x_i^k$ must continue to hold by definition of payoff-improving trade, $\sigma_i(v') < \sigma_i(v)$ is possible (as in Example 2 in the text). But, by minimality, all proposals on which votes are traded must be decided by minimal majority after trade. Hence $|\hat{P}(v')| < |\hat{P}(v)|$, and since $|\hat{P}(v)| \leq K < \infty$, blocking trades on non-minimal majority proposals can happen at most a finite number of times. Hence the logic of the proof of Theorem 1 applies here as well: for any R , the number of trades on non-minimal majority proposals must be finite, and because score functions are bounded and the number of voters is finite, so must be the number of trades on minimal majority proposals. Hence trading always ends after a finite number of steps, and a Pivot-stable allocation of votes always exists. Because the argument in the proof makes no restriction on R , the result holds for all R . ■

To prove Propositions 3 and 4, we exploit a result from the literature²¹, restated in the following Lemma.

Lemma . *For any K , N , and z , the Condorcet winner, if it exists, can only be $\mathbf{P}(v_0)$.*

Proof. On any single proposal, the majority of the votes at v_0 reflect the preferences of the majority of the voters. For any number of proposals $m \in \{1, \dots, K\}$, consider the outcome $\mathbf{P}(v_0, m^-)$ obtained by deciding m proposals in the direction favored by the minority at v_0 , and the remainder $K - m$ in the direction favored by the majority. Consider the alternative outcome $\mathbf{P}(v_0, (m - 1)^-)$, obtained by deciding one fewer proposal in favor of the minority at v_0 . By construction, $\mathbf{P}(v_0, (m - 1)^-)$ must be majority-preferred to $\mathbf{P}(v_0, m^-)$. Hence for any $m \in \{1, \dots, K\}$, $\mathbf{P}(v_0, m^-)$ cannot be the Condorcet winner. But by varying m between 1 and K , $\mathbf{P}(v_0, m^-)$ spans all possible $\mathbf{P} \neq \mathbf{P}(v_0)$. Hence if the Condorcet winner exists, it can only be $\mathbf{P}(v_0)$. ■

Proposition 3. *If $N = 3$, then for all K and z , if the Condorcet winner exists, $\mathcal{P}(\mathcal{V}^*)$ is a singleton, and is the Condorcet winner.*

Proof. By Lemma 5, if the Condorcet winner exists, it can only be $\mathbf{P}(v_0)$. But then with $N = 3$ no trade can take place: if the Condorcet winner exists, v_0 cannot be blocked. Thus $\mathbf{P}(\mathcal{V}^*)$ equals $\mathbf{P}(v_0)$ and is the Condorcet winner. ■

Proposition 4. *If $K = 2$, then for all N and z , $\mathcal{P}(\mathcal{V}^*)$ is a singleton and is the Condorcet winner, if the Condorcet winner exists. If $\mathbf{P}(\mathcal{V}^*) \neq \mathbf{P}(v_0)$, a majority prefers $\mathbf{P}(\mathcal{V}^*)$ to $\mathbf{P}(v_0)$.*

Proof. Suppose, with no loss of generality, that $\mathbf{P}(v_0) = AB$ —both proposals pass. All members of a blocking coalition must strictly gain from the trade. Hence any blocking trade must be such that both proposals change direction, because pivotal voters trading away their vote on one proposal must be compensated by moving to a winning position on the other proposal. It follows that along any path of trades the only two possible outcomes are AB , at $t = 0, 2, 4, \dots$, and \emptyset —both proposals fail—at $t = 1, 3, 5, \dots$. We know from Theorem 1 that $\mathcal{P}(\mathcal{V}^*)$ is not empty. Hence $\mathcal{P}(\mathcal{V}^*) \subseteq \{AB, \emptyset\}$. Partition all voters into two sets of voters C_{AB} and C_{\emptyset} where $i \in C_{AB} \iff AB \succ_i \emptyset$, that is, C_{AB} is composed of all voters who prefer AB to \emptyset ; and $i \in C_{\emptyset} \iff \emptyset \succ_i AB$, that is, C_{\emptyset} is composed of all voters who prefer \emptyset to AB .²² The two sets have cardinality N_{AB} and N_{\emptyset} , respectively. Note that blocking coalitions can only be formed within each set: for any path of trade, all members of a blocking coalition at t even must belong to C_{\emptyset} , and at t odd must belong to C_{AB} . Suppose first $N_{AB} > N_{\emptyset}$. Then at v_0 , C_{AB} holds a total of N_{AB} on each proposal, and C_{\emptyset} a total of N_{\emptyset} votes, again on each proposal. Since $N_{AB} > N_{\emptyset}$, on each proposal voters in C_{AB} initially hold more votes than voters in C_{\emptyset} . Since blocking trades must always take place *within* either C_{AB} and C_{\emptyset} , this relation is true at every step of the trading path. But then \emptyset cannot be a Pivot-stable outcome, because at any vote allocation v_t where $\mathbf{P}(v_t) = \emptyset$, \emptyset is blocked by C_{AB} .

To see this, notice that because $\mathbf{P}(v_0) = AB$ and $N_{AB} > N_{\emptyset}$ it cannot be the case that all

²¹See Park (1967) and Kadane (1972).

²²Ordering outcomes from most to least preferred, C_{AB} includes voters with rankings $\{\{AB, A, B, \emptyset\}, \{AB, B, A, \emptyset\}, \{A, AB, \emptyset, B\}, \{B, AB, \emptyset, A\}\}$; C_{\emptyset} includes voters with rankings $\{\{\emptyset, A, B, AB\}, \{\emptyset, B, A, AB\}, \{A, \emptyset, AB, B\}, \{B, \emptyset, AB, A\}\}$.

	1	2	3	4	5
A	2	-2	-1	1	-1
B	1	-1	-2	2	2

AB	\emptyset	\emptyset	AB	B
A	B	A	B	AB
B	A	B	A	\emptyset
\emptyset	AB	AB	\emptyset	A

Table 8: *No vote allocation is farsightedly stable relative to v_0 . An example.*

voters in C_{AB} prefer \emptyset to A or A would have failed at v_0 . Similarly, it cannot be the case that all voters in C_{AB} prefer \emptyset to B . Thus there must be at least one voter in C_{AB} who prefers B to \emptyset and at least one voter in C_{AB} who prefers A to \emptyset . It follows that C_{AB} can always block v_t by giving all of its B votes to a voter in C_{AB} who prefers B to \emptyset and giving all of its A votes to a voter in C_{AB} who prefers A to \emptyset . Because such a blocking trade is always possible, at any v_t reachable from v_0 , it then follows that $\mathcal{P}(\mathcal{V}^*) = \{AB\}$. Identical logic shows that if $N_{AB} < N_{\emptyset}$, then $\mathcal{P}(\mathcal{V}^*) = \{\emptyset\}$. Because N is odd, $N_{AB} = N_{\emptyset}$ is impossible. Thus $\mathcal{P}(\mathcal{V}^*)$ must always be a singleton.

By Lemma 5, only AB can be the Condorcet winner. Because $\mathbf{P}(v_0) = AB$, it must be the case that AB is majority preferred to both A and B , and is the Condorcet winner if it is also majority preferred to \emptyset , i.e. if $N_{AB} > N_{\emptyset}$. But we just established that if $N_{AB} > N_{\emptyset}$, $\mathbf{P}(\mathcal{V}^*) = AB$. Hence if the Condorcet winner exists, $\mathbf{P}(\mathcal{V}^*)$ is the Condorcet winner. If $N_{AB} < N_{\emptyset}$, the Condorcet winner does not exist. In such a case, $\mathbf{P}(\mathcal{V}^*) = \emptyset$, and, since $N_{AB} < N_{\emptyset}$, $\mathbf{P}(\mathcal{V}^*)$ is majority preferred to $\mathbf{P}(v_0)$, concluding the proof of the proposition. ■

Theorem 4. *There exist K , N , and z such that no vote allocation is farsightedly stable relative to v_0 .*

Proof.

Consider the environment displayed in Table 8. The lower panel reports, in the column corresponding to each voter, the voter's ordinal preferences over the four possible outcomes. An outcome in a cell is strictly preferred by that voter to all outcomes in lower cells.

Note that $\mathbf{P}(v_0) = B$. The proof is in two steps. We first show that there is a unique vote allocation v that F-dominates v_0 , and v must be such that $\mathbf{P}(v) = A$. We then show that $v \notin \mathcal{V}_F^*$.

(1). By definition of $D(v_0)$, any $v \in D(v_0)$ must be such that $\mathbf{P}(v) \neq B$. (i) Suppose there exists some $v' \in D(v_0)$ such that $\mathbf{P}(v') = AB$. Outcome AB is the least preferred alternative for voters 2 and 3, so those two voters never trade as part of an F-chain to v' . Voter 5 ranks $\mathbf{P}(v_0) = B$ above AB ; hence will not trade at v_0 . Therefore, at v_0 , on an F-chain to v' such that $\mathbf{P}(v') = AB$, the only possible first trade is between voters 1 and 4. But 1 and 4 have identical preferences, and no trade between them can change the outcome. Hence no trade between them can advance the F-chain: there cannot exist a $v' \in D(v_0)$ such that $\mathbf{P}(v') = AB$. (ii) Similarly, there cannot exist a

$v' \in D(v_0)$ such that $\mathbf{P}(v') = \emptyset$: the voters' preference rankings are such that only voters 2 and 3 can trade at v_0 on an F-chain to any v' such that $\mathbf{P}(v') = \emptyset$. But 2 and 3 have identical preferences and cannot advance the F-chain. (iii) Is there some $v' \in D(v_0)$ such that $\mathbf{P}(v') = A$? Voter 5 never trades on such an F-chain. At v_0 , on an F-chain to v' such that $\mathbf{P}(v') = A$, the only possible first trade is between voters 1 and 3. They disagree on both proposals, and thus by trading can reach any outcome. They can trade to any of the eight vote allocations shown below (where the number in each cell indicates the number of votes 1 and 3 hold after the trade; all other voters hold one vote):

	1	3		1	3		1	3		1	3		1	3		1	3		1	3		1	3
A	1	1		0	2		0	2		2	0		2	0		0	2		1	1		2	0
B	2	0		1	1		2	0		2	0		1	1		0	2		0	2		0	2

The first three of these vote allocations do not change the outcome, and thus cannot advance the F-chain.

The next two change the outcome to AB . If either of these trades occur at v_0 , then the only subsequent trade from either of these two vote allocations on an F-chain to v' such that $\mathbf{P}(v') = A$, can only have 2 and 3 trading (because they are the only two voters who prefer A to AB ; but 2 and 3 both have negative values for both proposals and therefore cannot advance the F-chain).

The next two possible vote trades between 1 and 3 will lead to the \emptyset outcome. On an F-chain to v' such that $\mathbf{P}(v') = A$ only 1 and 4 can gain from moving from \emptyset to A ; but 1 and 4 both have positive values for both proposals and therefore cannot advance the F-chain.

Finally, consider the last possible vote allocation, which results when 1 trades her B vote for 3's A vote, leading to the outcome A . Call this vote allocation v' , since $v' \in D(v_0)$ and $\mathbf{P}(v') = A$. Because we have ruled out all other possible allocations, $D(v_0)$ is a singleton: $D(v_0) = \{v'\}$.

(2). But $v' \notin \mathcal{V}_F^*$: at v' voter 2 can give a B vote to voter 4, in exchange for an A vote, and reach the vote allocation v'' depicted in Table 9, with $\mathbf{P}(v'') = B$. Both 2 and 4 prefer the outcome B to A . The reasoning shows that v' is not myopically stable, and therefore is not in the F-core.

	1	2	3	4	5
A	2	2	0	0	1
B	0	0	2	2	1

Table 9: *The vote allocation at v'' .*

We have shown that $v_0 \notin \mathcal{V}_F^*$, since there exists $v' \in D(v_0)$, and that all $v \in D(v_0)$ are such that $v \notin \mathcal{V}_F^*$, since $D(v_0) = \{v'\}$ and $v' \notin \mathcal{V}_F^*$. Hence the set $D(v_0) \cap \mathcal{V}_F^*$ is empty: no vote allocation is farsightedly stable relative to v_0 . ■

Proposition 7 *If the Condorcet winner is an F_0 -stable outcome, then: (1) the Condorcet winner is the only F_0 -stable outcome; (2) the set of F_0 -stable vote allocations $\mathcal{V}_F^*(v_0)$ is a singleton, and*

$$\mathcal{V}_F^*(v_0) = \{v_0\}.$$

Proof. Call \mathcal{V}_{CW} the set of Condorcet vote allocations. That is, $v \in \mathcal{V}_{CW} \Rightarrow \mathbf{P}(v)$ is the Condorcet winner. Suppose $v \in \mathcal{V}_{CW} \cap \mathcal{V}_F^*(v_0)$. Notice that if $\mathbf{P}_{F_0}(v) = \mathbf{P}(v_0)$, then $v \notin D(v_0)$. By Lemma 5, $v_0 \in \mathcal{V}_{CW}$. Thus if $v \in \mathcal{V}_{CW} \cap \mathcal{V}_F^*(v_0)$, it follows that $v = v_0$, and $v_0 \in \mathcal{V}_F^*(v_0)$ because no voter is better off at v than at v_0 . Suppose there exists some other $v' \notin \mathcal{V}_{CW}$ such that $v' \in \mathcal{V}_F^*(v_0)$. Then $v' \in D(v_0)$. But then, there exists a vote allocation, v' that dominates v_0 and is not dominated by any other, since $v' \in \mathcal{V}_F^*(v_0)$. Hence $v_0 \notin \mathcal{V}_F^*(v_0)$, a contradiction. Hence it follows that $\mathcal{V}_F^*(v_0) = \{v_0\}$. ■

In words: We know from Lemma 5 that if the Condorcet winner exists it must equal $\mathbf{P}(v_0)$. It then follows immediately that no other vote allocation yielding the Condorcet winner can farsightedly dominate v_0 , and thus if an F_0 -stable allocation yielding the Condorcet winner exists, it must equal v_0 . But if v_0 is F_0 -stable, no other allocation reachable from v_0 can be F_0 -stable, because it would have to dominate v_0 , and thus v_0 could not be F_0 -stable. It follows that the set of F_0 -stable equilibria must be a singleton and equal v_0 .

The following Corollary is immediate:

Corollary 2 *The Condorcet winner can be an F_0 -stable outcome only if no vote trading takes place.*

Appendix B. Alternative notions of farsighted stability

We approach farsighted stability in the text using the forward looking extension of the core of a game without side payments. Alternative notions could be explored. We briefly present two such alternatives in this appendix.

1. The F-Bargaining Set

The farsighted bargaining set weakens the notion of the farsighted core by allowing dominated allocations to belong to the set.

Formally:

Definition 15 *A vote allocation $v \in \mathcal{V}$ is in the farsighted bargaining set, B_F , if, for every $v' \in \mathcal{V}$ such that v' F -dominates v , there exists some $v'' \in \mathcal{V}$ such that v'' F -dominates v' . That is, $B_F = \{v \mid D(v') \neq \emptyset \forall v' \in D(v)\}$.*

The farsighted bargaining set contains the core, and therefore is non-empty (by Proposition 5).

We can define the F -bargaining set reachable from v_0 , $\mathcal{V}_B(v_0)$:

Definition 16 *A vote allocation $v \in \mathcal{V}_B(v_0)$ if and only if one of the following holds: either (1) there exists $v \in D(v_0) \cap B_F$, or (2) $D(v_0) \cap B_F = \emptyset$ and $v = v_0$.*

Proposition 8 $v \in \mathcal{V}_B(v_0)$ is non-empty for all v_0 , N , K , and z .

Clearly $\mathcal{V}_B(v_0)$ is never empty. The result is by construction but reflects the spirit of the concept: if no vote allocation that dominates v_0 belongs to the F-bargaining set (i.e. if $D(v_0) \cap B_F = \emptyset$), then v_0 itself should be understood as belonging to F-bargaining set reachable from v_0 –although v_0 may be dominated by some other allocations, none of these allocations is itself robust to further credible domination.

Some, but not all of the results from Section 4 apply with this alternative definition. First note that the definition of $\mathcal{V}_F^*(v_0)$ in the text (Definition 14) ensures that $v \in \mathcal{V}_F^*(v_0) \implies v \in \mathcal{V}_B(v_0)$. Therefore, it immediately follows that if $N = 3$ and the Condorcet winner exists, then it must belong in $\mathcal{V}_B(v_0)$: the farsighted stability of the Condorcet winner with $N = 3$ is confirmed. The other results, however, fail to extend to this alternative definition because $\mathcal{V}_B(v_0)$ can include vote allocations that are neither in the farsighted core nor equal to v_0 . The definition of $\mathcal{V}_B(v_0)$ can be strengthened to rule out such possibilities by replacing $v \in D(v_0) \cap B_F$ and $v = v_0$ if $D(v_0) \cap B_F = \emptyset$ by $v \in D(v_0) \cap \mathcal{V}_F^*$ and $v = v_0$ if $D(v_0) \cap \mathcal{V}_F^* = \emptyset$. With this stronger definition, non-emptiness is still guaranteed, and Propositions 6 and 7 and Corollary 2 hold.

2. The von Neumann Morgenstern (NM) F-stable set

A second possible approach is to use a farsighted generalization of von Neumann-Morgenstern stable sets. Defining and analyzing farsighted stable sets is much more involved than analyzing the farsighted core and bargaining sets because the concept is defined as a set-valued fixed point in a space with no natural topology.

Here we extend the definition of the *NM farsightedly stable (NMF-stable) set* \mathcal{V}_{NM} , originally proposed by Harsanyi (1974) to our vote trading environment. Following Ray and Vohra (2015), for any subset of vote allocations, $\mathbf{V} \subseteq \mathcal{V}$, define $\text{dom}(\mathbf{V})$ as the set of vote allocations that are farsightedly dominated by some allocation $v \in \mathbf{V}$. A set of *NMF-stable* vote allocations \mathcal{V}_{NM} has the property that no vote allocation in \mathcal{V}_{NM} is dominated by another vote allocation in \mathcal{V}_{NM} (*internal stability*) and every feasible vote allocation not in \mathcal{V}_{NM} is dominated by at least one vote allocation in \mathcal{V}_{NM} (*external stability*). Formally:

Definition 17 $\mathcal{V}_{NM} \subseteq \mathcal{V}$ is an NMF-stable set if $\mathcal{V}_{NM} = \mathcal{V} - \text{dom}(\mathcal{V}_{NM})$.

Note that the definition is set-based: in general, which allocations belong to the set depends on the full set itself. Neither existence nor uniqueness are guaranteed. An additional difficulty is that in practical applications verifying whether an allocation is F-stable requires positing the full composition of the set—a difficult task.²³

²³Which is why most progress has been made in cases in which the NMF-set can be restricted a priori to be a singleton (Mauleon et al. 2011, Ray and Vohra, 2015).

As with the F-bargaining set and the F-stable set, one needs to extend the definition of NMF-stable sets to require reachability from v_0 . Define $dom_{D(v_0)}(\mathcal{V}_{NM})$ as the set of allocations in $D(v_0)$ that are F-dominated by some allocation in \mathcal{V}_{NM} .²⁴ Then:

Definition 18 $\mathcal{V}_{NM}(v_0)$ is an NMF-stable set reachable from v_0 if, given a set \mathcal{V}_{NM} , $\mathcal{V}_{NM}(v_0) = D(v_0) - dom_{D(v_0)}(\mathcal{V}_{NM})$.

²⁴Note that $dom_{D(v_0)}(\mathcal{V}_{NM})$ is defined with respect to \mathcal{V}_{NM} , not $\mathcal{V}_{NM}(v_0)$.

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